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ACTION EUR-25

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INFO AMEMBASSY LUXEMBOURG

CMAAG BRUSSELS

S E C R E T SECTION 1 OF 2 USNATO 1366

E.O. 11652: GDS, 12-31-82

TAGS: MCAF, NATO

SUBJECT: NATO FORCE PROPOSALS/GOALS - LUXEMBOURG

TEXT OF DRAFT COUNTRY CHAPTER (EXCEPT FOR INTRODUCTION) ON
1975-80 DRAFT FORCE GOALS FOR LUXEMBOURG (DRC/WP(74)1), WHICH
MISSION RECEIVED DAY OF DRC REVIEW, IS QUOTED BELOW:

BEGIN TEXT.

II. FORCE PROPOSALS.

4. THE MAIN QUANTITATIVE CHANGES AND QUALITATIVE
IMPROVEMENTS FOR THE FORCES PLANNED BY LUXEMBOURG AND THE
PRINCIPAL IMPROVEMENTS PROPOSED BY THE NATO MILITARY AUTHORITIES
ARE SUMMARISED BRIEFLY BELOW.

5. THE CURRENT FORCE PLANS FOR THE PERIOD 1974-1978
PLACE EMPHASIS ON THE PROVISION OF ANTI-TANK GUIDED WEAPONS (SIX
TOW SYSTEMS) AND SOME ANTI-AIRCRAFT WEAPONS (OF REDEYE/BLOWPIPE
TYPE). OTHER PLANS CALL FOR REPLACEMENT OF VEHICLES AND
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PROCUREMENT OF ADDITIONAL RADIO SETS AND NBC EQUIPMENT.

6. THE NEW FORCE PROPOSALS TAKE INTO ACCOUNT THE PLANNED
PROCUREMENT OF A LOW LEVEL AIR DEFENCE CAPABILITY, BUT SINCE

IT IS NOT KNOWN TO WHAT EXTENT THIS IS INCLUDED IN NATIONAL BUDGETARY PLANS, APPROXIMATELY LUX.FR. 35 MILLION HAVE BEEN ASSUMED AS ADDITIONAL COSTS. THE OTHER NEW PROPOSALS CONCERN AN INCREASE OF THE SIZE OF THE BATTALION, THE MAINTENANCE OF MANNING, TRAINING AND STOCK LEVELS AT LEAST AT THE MINIMUM LEVELS REQUESTED BY SHAPE, ADEQUATE MEDICAL SUPPORT, AND MEASURES IN THE FIELD OF ELECTRONIC WARFARE AND NBC DEFENCE.

7. OF THESE PROPOSALS THOSE WHICH ARE NOT COVERED BY NATIONAL PLANS ARE:

(A) THE PROVISION OF ONE ADDITIONAL RIFLE COMPANY, AT PRESENT UNDER NATIONAL COMMAND, FOR THE BATTALION COMMITTED TO ACE. ASSIGNMENT WILL NOT LEAD TO ADDITIONAL COSTS;

(B) THE IMPROVEMENT OF THE NBC DEFENCE CAPABILITY. APPROXIMATE COST: LUX FR 3.7 MILLION;

(C) THE PROVISIONS OF ELECTRONIC WARFARE CAPABILITY FOR COMBAT UNITS. APPROXIMATE COST: LUX FR 800,000.

THESE MEASURES COVER ABOUT 10 PCT OF THE TOTAL OF THE COSTED FORCE PROPOSALS.

8. THERE IS ALSO A PROPOSAL FOR THE PROVISION OF MEDICAL SUPPORT FOR THE LUXEMBOURG BATTALION; AND THERE ARE TWO OTHERS WHICH WOULD BE COVERED BY COMMON FUNDING AND WHICH CONCERN IMPROVED TACTICAL COMMUNICATIONS AND CONTROL CAPABILITIES FOR THE FORCES IN THE CENTRAL REGION AND EARLY IMPLEMENTATION OF THE WAR HEADQUARTERS REQUIREMENTS IN THE SAME REGION.

III. ASSESSMENT OF THE ECONOMIC AND FINANCIAL IMPLICATIONS

THE ECONOMIC SITUATION AND OUTLOOK

9. IN 1973 THE GROSS NATIONAL PRODUCT PER CAPITA PLACED
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LUXEMBOURG IN THE THIRD POSITION AND DEFENCE EXPENDITURES PER HEAD IN ELEVENTH POSITION COMPARED WITH THE OTHER NATO EUROPEAN COUNTRIES. THE SHARE OF GNP DEVOTED TO DEFENCE WAS SLIGHTLY LESS THAN 1 PCT, WELL BELOW THE NATO EUROPEAN AVERAGE OF 4.2 PCT. IN 1973 THE REAL GROWTH OF GNP WAS SOME 7.2PCT(1) AND THE INFLATION RATE, AS EXPRESSED BY THE IMPLICIT PRICE INDEX OF GROSS DOMESTIC PRODUCT, WAS SOME 11.5PCT(1), ONE OF THE HIGHEST AMONG THE WESTERN EUROPEAN COUNTRIES. THE ECONOMIC PROSPECTS FOR THE YEARS 1975-1980 WILL CONTINUE TO DEPEND LARGELY ON THE DEVELOPMENT OF THE IRON AND STEEL MARKETS AND THE DIVERSIFICATION OF INDUSTRY. A GNP GROWTH RATE FOR LUXEMBOURG OF 2.9PCT YEARLY WAS PROJECTED BY THE OECD IN 1972. TAKING INTO ACCOUNT THE UNCERTAINTIES CREATED BY THE ENERGY CRISIS A SOMEWHAT

LOWER RATE MIGHT NOW BE ENVISAGED.

(1) NATIONAL AUTHORITIES ESTIMATE

THE CURRENT FORCE PLAN AND EXPENDITURES

10. IN THE LUXEMBOURG REPLY TO THE 1973 DEFENCE PLANNING QUESTIONNAIRE NO INDICATION WAS GIVEN ON THE FINANCIAL PLANS BEYOND 1974. FOR THE PURPOSES OF THE CALCULATIONS IN THE FOLLOWING PARAGRAPHS AN ANNUAL AVERAGE RATE OF INCREASE THE SAME AS FOR GNP HAS BEEN ASSUMED FOR THE PERIOD UNDER REVIEW, IMPLYING THE MAINTENANCE OF THE 1PCT DEFENCE SHARE OF GNP REPORTED FOR 1973(2).

ADDITIONAL EXPENDITURES REQUIRED TO COVER THE FORCE PROPOSALS

11. TENTATIVE ESTIMATES OF THE COST OF THE FORCE PROPOSALS WHICH ARE ADDITIONAL TO CURRENT COUNTRY FORCE PLANS, ADD UP TO SOME LUX. FR. 39 MILLION, OR SOME 10 PCT MORE THAN THE AGGREGATE VALUE OF THE PROJECTED DEFENCE EXPENDITURE BASED ON THE ASSUMPTIONS IN PARAGRAPH 2 ABOVE. THIS SUM EXCLUDES TWO FORCE PROPOSALS FOR WHICH COMMON FUNDING IS PROPOSED AND THERE IS ONE OTHER PROPOSAL THAT CANNOT BE COSTED (ENSURANCE THAT MEDICAL SUPPORT IS ADEQUATE) DUE TO LACK OF INFORMATION.

(2) SEE TABLE ON PAGE 5

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FINANCIAL AND ECONOMIC TABLE

LUXEMBOURG

(MILLION LUX. FR. - 1972 CONSTANT PRICES)

1975 1976 1977 1978 1979 1980

GROSS NAT'L PRODUCT 58,489 60,185 61,930 63,726 65,574 67,476

(FACTOR COST) (1)

DEF EXPENDITURES

(A) PROJ EXP BASED 585 602 619 637 655 674

ON NAT'L PLANS (2)

(B) PROJ EXP BASED

ON MINISTERIAL

GUIDANCE (3)

- & HIGHER GNP GROWTH 585 602 619 637 655 674

- & LOWER GNP GROWTH 574 585 597 609 621 633

DEF EXP AS A PCT OF GNP 1.0 1.0 1.0 1.0 1.0 1.0

NOTES: THE FIGURES SHOWN IN THE ABOVE TABLE ARE THE INTERNATIONAL STAFF'S PROJECTIONS OF THE LIKELY TREND OF GNP AND POSSIBLE TRENDS IN DEFENSE EXPENDITURES. WHEREVER POSSIBLE, THEY ARE BASED ON THE DATA CONTAINED IN THE 1973 COUNTRY CHAPTER (DPC/D(73)23-LUXEMBOURG). SPECIFIC INFORMATION ON THE METHOD APPLIED TO THE CALCULATIONS IS PROVIDED IN THE FOLLOWING NOTES:

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INFO AMEMBASSY LUXEMBOURG

CMAAG BRUSSELS

S E C R E T SECTION 2 OF 2 USNATO 1366

(1) BASIS - GNP FOR 1973 AT 1972 PRICES: LUX FRF. 55,239 MILLION
YEARLY PERCENTAGE CHANGE IN VOLUME: 2.9 PCT (1975-1980) OECD
PROJECTION - JULY 1972.

(2) AS THERE ARE NO FINANCIAL ESTIMATES OR GUIDELINES REPORTED
BY THE LUXEMBOURG AUTHORITIES FOR THE YEARS BEYOND 1974,
IT HAS BEEN ASSUMED FOR THE PURPOSE OF THIS PROJECTION THAT
THE DEFENCE SHARE OF GNP WOULD HAVE BEEN MAINTAINED AT ABOUT
1 PCT OF GNP.

(3) THE MINISTERIAL GUIDANCE (DPC/D(73)8) CONCERNING RESOURCES
(I.E. THE ALLOCATION TO DEFENCE OF A STABLE PROPORTION OF
THE GROWING NATIONAL WEALTH) APPLIED TO:

- THE HIGHER GNP GROWTH RATE OF 2.9PCT (THE 1972 OECD PROJECTION)

- THE LOWER GNP GROWTH RATE OF 2 PCT.

FINANCIAL AND ECONOMIC IMPLICATIONS OF DRC RECOMMENDATIONS

12. (TO BE COMPLETED AFTER THE DRC REVIEW)

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FINAL ASSESSMENT OF THE FEASIBILITY OF THE DRAFT FORCE GOALS

13. (TO BE COMPLETED AFTER THE DRC REVIEW)

IV. RESULTS OF THE MULTILATERAL EXAMINATION BY THE DRC

14. THE MILITARY COMMITTEE HAS STATED THAT IT IS SATISFIED THAT ITS FORCE PROPOSALS FOR 1975-80 ARE COMPATIBLE WITH THE MINISTERIAL GUIDANCE, FULLY REFLECT THE THRUST OF AD 70 AND THE BASIC ISSUES, PROPERLY REFLECT THE MINIMUM REQUIREMENTS FOR MAJOR NATO COMMANDERS TO EXECUTE THEIR MISSION, INCLUDE PROPOSALS DESIGNED TO OFFSET THE CRITICAL DEFICIENCIES PREVIOUSLY IDENTIFIED IN COUNTRY FORCE PLANS, AND OFFER A CONSIDERABLE CHALLENGE TO NATIONS.

15. IN ACCORDANCE WITH THE PROCEDURE, THE DEFENCE REVIEW COMMITTEE HAS EXAMINED THE MILITARY COMMITTEE'S FORCE PROPOSALS ON BEHALF OF THE DEFENCE PLANNING COMMITTEE. ANALYSES OF THE NON-MILITARY IMPLICATIONS OF THE FORCE PROPOSALS AND THEIR POLITICAL, FINANCIAL AND ECONOMIC FEASIBILITY SUMMARISED ABOVE LEAD THE DEFENCE REVIEW COMMITTEE TO RECOMMEND CERTAIN AMENDMENTS AND MODIFICATIONS BEARING IN MIND THAT IN DEVELOPING FORCE GOALS, IT SHOULD NOT BE THE AIM TO TAILOR MILITARY PROPOSALS TO A SIMPLE PROJECTIN OF KNOWN COUNTRY PLANS; THE GOALS SHOULD STRIKE A BALANCE BETWEEN MILITARY REQUIREMENTS, AVAILABLE RESOURCES AND POLITICAL CONSIDERATIONS. THEY SHOULD REPRESENT A DESIRABLE OBJECTIVE OF CO-ORDINATED NATO FORCE PLANNING AND PRESENT LUXEMBOURG WITH A REASONABLE CHALLENGE IN THE ALLOCATION AND EFFECTIVE APPLICATION OF RESOURCES.

16. AS A RESULT, THE DEFENCE REVIEW COMMITTEE RECOMMENDS THE ADOPTION OF THE MILITARY COMMITTEE'S FORCE PROPOSALS AS NATO FORCE GOALS SUBJECT TO THE FOLLOWING CHANGES:

(TO BE COMPLETED AFTER DRC REVIEW)

V. LOW COST/NO COST ITEMS(1)

VI. OPPORTUNITIES FOR STANDARDISATION AND CO-OPERATION IN
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DEVELOPMENT AND PROCUREMENT OF WEAPONS SYSTEMS(1)

VII. RECOMMENDATIONS(1)

(1) TO BE COMPLETED AFTER DRC REVIEW

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